

MICHIGAN AERONAUTICS COMMISSION

Minutes of Meeting

Lansing, Michigan

July 30, 2008

Pursuant to Section 31 of Act 327 of the Public Acts of 1945, the Commissioners of the Michigan Aeronautics Commission (MAC), created by said act, met in the second floor Commission Conference Room on Wednesday, July 30, 2008, commencing at the hour of approximately 10:00 a.m.

Members Present

Joyce Woods, Chair

Sidney Adams, Jr., Vice Chair

James Collins, Commissioner

J. William Prochazka, Commissioner

Terry Everman, Commissioner

Leon Hank, Designee – MDOT

Daniel Atkinson, Designee – MSP

Dennis Fedewa, Designee – MDNR

Robert Johnston, Designee – DMVA

Rob Abent, MAC Commission Director

Staff

Barbara Burris, Executive Division

Rick Hammond, Airports Division

David Baker, Airports Division

Pauline Misjak, Aviation Services

Gerry Edwards, Aviation Services

Mark Noel, Airports Division

Stuart Lindsay, MDOT Planning

Members Absent

No Members Absent

Also Present

Jim Shell, Designated House Counsel

John Strehl, Antrim County

Cliff Moshoginis, Kalamazoo/Battle Creek

Jon Bayless, Abrams Municipal

Jim Koslosky, GR Ford International

John Barsalou, Oscoda-Wurtsmith

Susy Heintz Avery, Wayne County A.A.

David DiMaria, Wayne County A.A.

Mark Johnson, Livingston County

Dan Otto, Capital Region International

A list of all others present is attached to the official minutes.

I. OPENING REMARKS

The July 30, 2008, Aeronautics Commission meeting was called to order by the Chair, Joyce Woods, at 10:05 a.m. She welcomed the large crowd in attendance. She recognized individuals in the audience, in addition to the many airport managers: Susy Avery, Wayne County Airport Authority; Roger Salo, representing the Transportation Funding Task Force (TF2); and Bill Gehman, Chair of the Aviation Subcommittee of the TF2, slated to make a presentation.

For the record, she noted that no Commission members were absent. Jim Storey, Assistant Attorney General for Transportation, appeared on behalf of House Counsel Pat Isom.

II. COMMISSION BUSINESS

A. Minutes of May 28, 2008

The Chair entertained a motion to approve Exhibit A, the minutes of the MAC meeting held May 28, 2008, pending any corrections or change.

Commissioner Fedewa requested revisions to the minutes with regard to the Discussion item on Page 5, under the heading "Paradise Township." For clarification, he asked that the second sentence in the first paragraph, which reads, "He advised that under the Fish and Game program, land purchased by the DNR using federal funds must be held in perpetuity" be amended to read: "He advised that under the state Fish and Game program and *assent legislation*, land purchased by the DNR (using federal funds) must be held in perpetuity for its intended purposes."

There being no other requests for change, the Chair entertained a motion to approve the minutes from the meeting held May 28.

Whereupon it was moved by Commissioner Adams, with support from Commissioner Collins, to approve the minutes of the May 28 meeting, pending correction. The MOTION CARRIED.

The Chair called on Airports Funding Manager Dave Baker to present the 22 airport improvement projects pending Commission approval.

B. Federal/State/Local Projects

Airport Name & Associated City/County	Project Description	Federal \$	State \$	Local \$	Total \$
Ann Arbor Municipal Ann Arbor	Preliminary Design & Environmental Assessment for Rwy 6 extension (to 4300'), incl. noise analysis & approach survey	180,000	39,375	5,625	225,000
Roben-Hood Big Rapids	Construct hangar taxilanes; install sanitary & water service lines for terminal building	149,967	32,805	4,687	187,459
Dowagiac Municipal Dowagiac	Construct snow removal equipment building	332,500	8,750	8,750	350,000
Evart Municipal Evart	Construct terminal building; land acquisition; obstruction removal & threshold relocation for rwy 24	150,000	32,812	4,688	187,500
Bishop International Flint	Land acquisition reimbursement, Phase II	884,349	23,272	23,273	930,894
Lakes of the North Gaylord	Approach & state primary surface clearing	0	54,000	6,000	60,000
Grosse Ile Municipal Grosse Ile	Supplemental transfer for rehabilitation of taxiways C, E & F, incl. paved shoulders & lighting	285,000	7,500	7,500	300,000

At this juncture, it was determined that the transfer descriptions included in the Commissioners' booklets were not in agreement with the transfer list for the projects, and it was necessary to replace the transfer descriptions in Exhibit B with corrected copies.

Livingston County-Spencer J. Hardy Howell	Land acquisition (easements) for NW approach area	381,800	83,519	11,931	477,250
Livingston County-Spencer J. Hardy Howell	SRE; land acquisition (easements) for NW approach area	150,000	3,947	3,948	157,895
Gogebic-Iron County Ironwood	Design of new commercial service terminal building	0	117,000	13,000	130,000
Jackson County-Reynolds Jackson	Land acquisition – parcel 86	340,000	74,375	10,625	425,000
Marlette Township Marlette	Crack sealing	10,000	2,187	313	12,500
Sawyer International Marquette	Supplemental transfer for 2008 MAP program	950,000	25,000	25,000	1,000,000

Oscoda County Mio	Supplemental transfer for land acquisition	111,240	2,927	2,928	117,095
Oakland/Southwest New Hudson	RSA determination study; ALP update	24,000	5,250	750	30,000
Jerry Tyler Memorial Niles	Construct new fuel farm facility	339,326	74,228	10,604	424,158
Ontonagon County-Schuster Ontonagon	Wetland delineation, preliminary engineering & environmental assessment for 2500' crosswind runway	171,000	4,500	4,500	180,000
Oakland County International Pontiac	Noise mitigation measures (2008 program	4,010,000	105,526	105,527	4,221,053
Ray Community Ray	Land acquisition for runway 27 approach (parcels E2, E3 & E4)	0	44,650	2,350	47,000
Sault Ste Marie-Sanderson Sault Ste Marie	Exhibit A update	0	32,400	3,600	36,000
South Haven Area Regional South Haven	Paint marking	4,000	875	125	5,000
Cherry Capital Traverse City	Supplemental transfer for runway 10/28 extension to 7000'	175,750	4,625	4,625	185,000
Totals		8,648,932	779,523	260,349	9,688,804

The Chair opened the floor for questions and/or comments on the projects presented.

There being no questions, the Chair entertained a motion for approval of the 22 projects presented by Mr. Baker.

Whereupon it was moved by Commissioner Prochazka, with support from Commissioner Collins, to approve the transfer of funds for the 22 projects described. MOTION CARRIED.

The Chair asked Mr. Baker to proceed with the supplemental transfers.

Mr. Baker identified six supplemental transfers approved since the meeting held May 28, 2008, in accordance with the Commission Policy on Supplemental Transfers adopted in January 2001:

Bad Axe, Huron County Memorial: An increase of fifteen (15) percent in federal/state/local funds has been approved to cover the funding required for apron strengthening. The original project cost of \$468,446 has been increased by \$70,267, thus increasing the total project cost to \$538,713.

Escanaba, Delta County: An adjustment in funds relating to the relocation of the fuel facility, using state and local funding. The original project cost of \$1,628,835 remains the same. State and Local funds have been increased by \$212,750 and \$5,750, respectively.

Frankfort, Dow Memorial: An increase of fifteen (15) percent in federal/state/local funds has been approved to supplement the original transfer for costs associated with the airport user survey development. The original project cost of \$22,000 has been increased by \$3,300, thus increasing the total project cost to \$25,300.

Ionia, Ionia County: An increase of 5.6 percent in federal/state/local funds has been approved to supplement the original transfer for costs associated with the construction of the 10-unit T-hangar. The original project cost of \$509,710 has been increased by \$28,768, thus increasing the total project cost to \$538,478.

Lansing, Capital Region International: An increase of seven (7) percent in federal and local funds has been approved to supplement the original transfer amount of \$5,136,000 for the Runway 28L extension, Phase I. The original project cost has been increased by \$345,970, thus increasing the total project cost to \$5,481,970.

Statewide: An increase of 2.67 percent in federal and state funds has been approved to supplement the original transfer for costs associated with the Community Benefit Assessment. The original project cost of \$6,000 has been increased by \$160 in federal and state funding, thus increasing the total project cost to \$6,160.

No official action is required on the supplemental transfers.

The Chair called on Rick Hammond, Airports Division Administrator, to present the next item, the Michigan Airport System Plan (MASP) 2008.

C. MASP 2008

(Copies of the final draft of the 2008 “Michigan Airport System Plan” were provided to the Commissioners in advance of the meeting.)

Mr. Hammond yielded to Project Manager Stuart Lindsay for introduction of the *MASP 2008*.

Mr. Lindsay characterized the efforts between staff of the Bureau of Aeronautics and Freight Services and the Bureau of Transportation Planning as “illustrating of the depth and quality of Team MDOT.”

He acknowledged persons instrumental in the completion of the *MASP 2008*: Members of a steering committee, led by Commissioner James Collins, whom he thanked for his

ongoing guidance and encouragement; Brad Comment and Eric Davis of the Michigan Association of Counties; Sue Higgins of the Macatawa Area Coordinating Council; Tiffany Julien of the Southeast Michigan Council of Governments; Clifford Maine of the Michigan Business Aviation Association; Brian Picardat of the Kent County Department of Aeronautics; and Jim Storey, also of the Macatawa Area Coordinating Council, Consultant.

Mr. Lindsay related that five system content teams, comprised of various members of Team MDOT, were created. He recognized each member of the five teams. Everyone, he stated, was extremely helpful in this process.

Mr. Lindsay asked the Commission for their approval and adoption of the *MASP 2008*. The document, he noted, will become the primary planning document and asset management tool for the analyses of airport improvement projects. It is intended to be a guide for staff and external stakeholders in the aviation community and will align with the MI Transportation Plan adopted by the State Transportation Commission in 2007. Both documents will serve as planning guides out to the year 2030. Mr. Lindsay invited questions and comments from the Commissioners.

Commissioner Adams commented on the vast amount of data presented and praised the team for its thoroughness.

Commissioner Hank also praised the team for its endeavors, under the leadership of Director Abent. He thanked the individuals who contributed to the document.

Chairman Woods highlighted the usefulness of the document in understanding how decisions are made with respect to the projects. She asked the Commissioners to review it and provide their feedback. She characterized the document as a milestone and a significant piece of work. She thanked the members of the teams involved in its development.

Director Abent also thanked the members of the *MASP 2008* team, particularly Mr. Lindsay and Mr. Hammond, for their commitment and dedication to the development of a “phenomenal asset management document.” Subject to Commission approval, a copy of the *MASP 2008* will be forwarded to every state aviation office in the nation.

The Chair entertained a motion for approval of the *MASP 2008*.

Whereupon it was moved by Commissioner Collins, with support from Commissioner Adams, to approve the 2008 Michigan Airport System Plan. The MOTION CARRIED.

The Chair opened the floor for Public Comment.

No speakers for public comment were forthcoming.

The Chair called on MAC Director Rob Abent for his report to the Commission.

III. REPORTS

MAC Director's Report

Director Abent provided a briefing on recent and upcoming events. He reported that a third-quarter review of the FY 2008 budget had been completed, with a comparison made to FY 2007.

Revenue, he reported, is down approximately 13.4 percent. For purposes of estimating the budget, revenues were predicted to be flat and remain so. On the expenditure side, the bureau is expending approximately 11.5 percent less than at the same time last year.

On a more positive note, all five statutory members of the Commission participated in a tour of the Antrim County Airport, the Pellston Regional Airport, and the Gaylord Regional Airport, all Tier 1 facilities, on June 20, providing an opportunity for the Commission members to network with airport personnel and the press. He declared it a day well spent.

The fall conference of the Michigan Association of Airport Executives will be held in Mt. Pleasant, September 15-19, 2008, with the MAC meeting on September 17.

Director Abent gave an update of the remodeling of the MDOT Aeronautics facility. At present, crews are working on the second floor, updating cubicles, installing new carpet, and painting. Airport staff are currently located in the bureau auditorium. Finishing touches are expected to be completed by September 30. The cost for this rather massive undertaking should be relatively minor, between \$150,000 and \$180,000, and will be funded through set asides from the FY 08 Capital Outlay program. Costs associated with the consolidation of bureau staff will be offset over the next three years with a transfer of funds (rent) from the Comprehensive Transportation Fund to the State Aeronautics Fund, resulting in a zero-cost transaction.

He noted that aviation advocates were successful in moving federal and state funds for airport construction to a separate MDOT appropriation.

One of the most important initiatives the department has engaged in over the past decade, he stated, is the Transportation Funding Task Force (TF2). Subcommittees of the 19-member TF2 task force formed citizen advisory committees. On July 25, each of the subcommittees delivered reports to the Transportation Task Force for consideration and reconciliation. The preliminary report will be submitted in October, and a final report will be presented to the Legislature and the Governor in April 2009. Director Abent recognized Bill Gehman, Chair of the Aviation Subcommittee.

(Copies of the subcommittee's draft report were provided to the Commissioners in advance of the meeting. The full report is available online on the MDOT website.)

With the aid of slides, Mr. Gehman presented highlights from the report prepared by the

Aviation Subcommittee, paraphrased as follows:

Mr. Gehman reported that the subcommittee was comprised of a diverse multi-modal group, with only himself and Jim Koslosky having a background in aviation. He thanked Mr. Abent and staff of the Bureau of Aeronautics and Freight Services for their support and credited Matt Brinker for compiling the final report on the committee's behalf.

One of the primary efforts the committee engaged in was an attempt to explain aviation at a rudimentary level while highlighting its importance. He noted that 100,000 jobs are located at airports throughout Michigan; that one thousand companies operate aircraft in Michigan and employ over one million employees. Three airports in the state recently completed economic impact studies. Based on those studies, it was determined that the three airports provide an economic benefit of over \$1 billion. He noted that Michigan has the second largest aviation college in the United States, located in Battle Creek.

To appreciate the relationship between airports and the international market, he cited the project at Benton Harbor, where a commitment to extend the runway enticed the Whirlpool Corporation to keep its headquarters in Michigan while allowing them to serve their overseas markets. He cited Duncan Aviation in Kalamazoo as one of the largest, if not the largest, privately-owned aircraft maintenance facilities in the world. ADI in Battle Creek has over 300 employees, and the Stryker Corporation's headquarters is located in the Kalamazoo area because of the ability of the airport facilities in the area to meet its air transportation needs.

Mr. Gehman described the process for instructing non-aviation members of the subcommittee on how funds are expended through the capital outlay and state/local programs. State funds are also needed for those programs that are not eligible for federal funding. He shared a graph depicting the breakdown in funding sources. There have been no increases in the aviation fuel tax since 1929, except for a rebate offered in 1945, and revenues are declining.

He discussed the concept of Asset Management. The subcommittee was tasked with determining whether money available is being spent wisely. One of the items looked at was the Michigan Airport System Plan, which categorizes the airports by tier and prioritizes how federal and state funds are to be spent. Of the 235 public-use airports in the state, approximately 80 are in either Tier 1 or Tier 2; the balance in Tier 3. An update of the MASP was completed in July 2008.

The subcommittee also completed a "needs analysis" – what are the aviation needs in the State of Michigan – over the two and a half months it was together and tried to come up with some "good numbers." This analysis involved the State Long Range Plan, which looks at aviation needs through the year 2030. It was determined that \$5.6 billion will be needed over the time frame cited for aviation projects – a figure that he described as somewhat constrained based on the realities of funding.

The committee arrived at four funding options for purposes of presenting their findings to the public and to the Legislature (action will be undertaken to ensure that legislation is developed to

address the needs): Do Nothing; Good; Better; and Best.

Do Nothing: Because of the lack of state dollars available to match all federal dollars, some of the smaller airports will lose out on federal funding (\$336 million) if nothing is done to increase aviation revenues. “We are also looking at a loss of state/local programs and possibly some airports.” Those airports that are unable to exist without state funding may have to close, and there will be a deterioration of airport facilities. The average funding available on an annual basis would be \$121 million.

Mr. Gehman reported that the committee reviewed a report on airport pavement conditions and asked what would happen under a do-nothing scenario. Based on the report, in four years’ time almost half of the pavements would need major rehabilitation without an influx of additional money. Once you reach the point where half the pavements require major rehabilitation, the decline will increase dramatically.

Good: This would require reinstatement of most state/local programs, perhaps at a lower level. This would allow for maintaining all existing airports and limited airport expansion. The funding level under the Good alternative would be \$242 million annually through the period 2030, and would generate \$5.3 billion. It is estimated that an additional \$42 million in state funds would be needed to leverage the same amount in federal funds to maintain the “good” or minimum level.

Better: Under the Better option, all new capital projects would be met, and we could meet all the goals in the *MASP 2008*. Full funding for previously limited state and local projects would be provided. This would also allow the department to be proactive in economic development projects (reference the Benton Harbor project of over \$20 million). All of this would necessitate a funding level of \$327 million. It would allow for the leveraging of \$76 million in federal funding and would require an additional \$76 million in state funds.

Best: The best case scenario is a long-term vision, which was difficult to put numbers to, as it involves ideal conditions and no funding constraints. This would envision seamless transportation between modes and all challenges in air service being met. One of the more critical challenges in the state, he noted, is going to be the state/local air service program, with the airlines demanding more from the smaller communities. The department would be proactive on capacity and economic needs across the state. This would enable the development of improved cargo facilities, as well as the Aerotropolis, which is a concept being considered in southeast Michigan.

Mr. Gehman shared a slide titled “Alternatives Summary” for the four categories mentioned. With respect to funding options, the Aviation Subcommittee looked at fee increases for aircraft registrations and establishing a fee for tall structure permits and other services that the bureau provides to the aviation community. He noted, however, that all of these increases would not raise a great deal of money.

With regard to the aviation fuel tax, the committee discussed the capturing of one cent of the six

cents sales tax on aviation fuels, as well as on the sale of aircraft and aircraft components, and putting that into the Aeronautics Fund, which would raise between \$14 million and \$16 million. As the price of fuel increases, the amount recovered increases. He suggested it may be time to look at an increase in the aviation fuel tax and possibly re-examining the airline rebates. Other alternatives, such as a tax on auto rentals and airport concession taxes were examined and deemed to be unrealistic.

Another task of the Aviation Subcommittee was to identify and make recommendations for efficiencies. Mr. Gehman summarized the committee's recommendations on efficiencies. Upon reviewing the Pavement Management Condition plan and the system plan of prioritizing state and federal funds, it was determined that airports should maintain their pavements and not wait until they are in poor condition -- thus requiring 95 percent state/federal funding. The committee also recommended that 95 percent of all funds available be spent on Tier 1 and Tier 2 airports; that the appropriation be transferred from the Capital Outlay Fund to the Transportation Fund; and that there be streamlining in the processing of airport projects -- a problem not only for aviation but for highways and other modes of transportation. Another recommendation had to do with examining the needs of air cargo. At the conclusion of his report, Mr. Gehman entertained questions and/or comments.

Commissioner Everman queried whether any thought was given to providing the airports with incentives to institute preventive maintenance programs that would be cost-effective for Aeronautics.

Mr. Gehman indicated that under the federal program for funding, a pavement management plan is required of airports receiving federal grants. The committee recommended that the pavement condition index be used to prioritize projects and encourage airport sponsors to maintain the pavements as opposed to allowing them to deteriorate to the point of rehabilitation.

Mr. Baker offered clarification: Any airport receiving a federal grant (up to \$150,000) for pavement improvements is required to have a preventative maintenance program for pavements and is a component of the crack sealing/paint marking program. Unfortunately, he stated, this is one of the programs that doesn't receive as much money as it did in the past due to the limited money available. Only in the last four years, due to a provision in the latest bill before Congress, have airports been able to use federal dollars for preventative maintenance. Many airports are using federal funds for this purpose now. The bureau continues to work with the airports on preventative maintenance.

Mr. Gehman recognized Roger Salo, head of aviation for the MASCO Corporation and a member of the Michigan Business Aviation Association's board of directors, whom he characterized as a strong voice for aviation on the TF2. The Task Force will be submitting their recommendations in October. Members such as Mr. Salo are aware of the need to increase fees to protect and preserve Michigan's transportation system, he stated. The task will be to convince the public of this need. Mr. Gehman suggested that the Commission consider establishing a process for engaging the public.

The Chair agreed that the Commission could provide leadership in this regard. She deferred to Mr. Salo for comment. Mr. Salo commended the efforts of the Aviation Subcommittee, under the leadership of Mr. Gehman, over the past two and a half months. He observed that achieving a tax increase would be a monumental task, since the aviation constituency – the AOPA, pilots, the airlines, and the business community – is against a tax increase. “It’s something that has to be looked at,” he stated.

Mr. Koslosky observed that time spent in task force meetings with Mr. Gehman and individuals from other modes was very worthwhile. He indicated that the state is currently in a crisis situation with regard to transportation across the modes, which he attributed to 20 years of under funding of the transportation system. “When compared to other states, Michigan is almost at the bottom in terms of funding transportation.” The transportation network, he stated, is broken, and something has to be done about it. He added, “If we want a plan to turn the state around economically, we need a transportation plan and a funding program that will accomplish that.”

The Chair invited the Commissioner to share their thoughts and concerns on the topic of funding.

Commissioner Collins praised the committee for a remarkable job.

Commissioner Hank thanked Mr. Salo and praised the members of the team. He noted that the next two months will be critical, since the needs have been defined and are very clear. He advised that it will take courage for people to stand up and do what’s right as far as funding the transportation system. He noted that the next few months will be interesting, after the final report is done. There is a sense that an opportunity exists for legislative support before the end of the year. He advised that approximately 40 Representatives will be leaving office due to term limits; that a majority of the Senate will be termed out as well. He urged all present to do the outreach necessary to reach as many people as possible and make sure they understand the needs and time constraints involved. He stressed that this may be our “one shot” within the next five to ten years to get something accomplished.

The Chair thanked Mr. Gehman for a great report – one that can be used to carry the message forward. She announced that the next meeting of the Aeronautics Commission would be held on Wednesday, September 17th, at the Soaring Eagle Resort in Mt. Pleasant, in conjunction with the MAAE conference, beginning at 10:00 a.m.

There being no further business to come before the Commission, the Chair entertained a motion to adjourn. It was moved by Commissioner Adams, with support from Commissioner Collins to adjourn. The MOTION CARRIED.

The July 30, 2008 meeting of the Michigan Aeronautics Commission concluded at approximately 11:10 a.m.

Michigan Aeronautics Commission

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July 30, 2008

Director

Chairman

Dated: _____